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Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SP-02
PM-05 TRSE-00 /043 W
----------039784 241851Z /41
R 241213Z APR 78
FM AMEMBASSY THE HAGUE
O RUEHC/SECSTATE WASHDC 2493
INFO AMEMBASSY BERN
GUFHOL/AMEMBASSY BON 5481
AMEMBASSY COPENHAGEN
AMZMBASSY LONDON 5906
AMXBASSY OSLO 1576
AMEMBASSY PARIS
AMEMBASSY ROME
AMEXASSY STOVKHOLM

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EO. 1YTWC N/A
TAGS: EAIR, NL
SUBJECT: CIVAIR: US-DUTCH CONSULTATION ONFARES

FOLLOWING TELEGRAM WAS DRAFTED BY DEPUTY ASSISTANT SECRETARY ATWOOD.

1. SUMMARY: CONSULTATIONS ON APRIL 21 WERE SUCCESSFUL IN SECURING AGREEMENT ON APPROPRIATE PROCEDURESFOR CONSIDERING FARES UNDER EXISTING PROTOCOL, BUT DUTCH CONTINUED REFUSAL RTO APPROVE PANAM BUDGET FARE FOR NETHERLANDS-ORIGINATING TRAFFIC. MEMCON IN SQTEL. END SUMMARY.

2. AFTER DISCUSSION, DUTCH AGREED TO US VIEW THAT ARTCLE 6(A) GOVERNS TARIFF ACTIONS REGARDLESS OF COUNTRY OF ORIGIN, AND THATARTICLE 6B) PROCEDURES ALSO APPLIED. THIS IS CONFIRMED
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IN MEMCON, AND IT WASAGREED NEW BILATERAL SHOULD MAKE THIS POINT CLEAR.

3. DUTCH CONTINUED OPPOSITIONTO BUDGET FARE EX-NETHERLANDS. ASSERTED THAT, WHILE RESTRICTIMS ON FARE WERE SUCH THAT IT COULD NOT BE WIDELY USED, MARKET IMPACT FROM ADVERPSEMENTS WOULD BE FAR GREATER. REAL CONCERN APPEARED TO BE THAT FARE WAS

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BELOWDUTCH MINIMUM CHARTER RATE. DUTCH INDICATED THAT CHARTER REGULATIONS ARE LIKELY TO BE LIBRALIZED IN ONE OR TWO MONTHS, AND LIBERALIZATIONS MAY INCLUDE ELIMINATION OF MINIMUM CHARTER PRICES. AT THAT TIME PANAM BUDGET FARE MIGHT BE APPROVED AT THE ORIGINAL LEVEL. IN MEANTIME FARE WOULD BE APPROVED IF REFILED AT 408 GUILDER LEVEL.

4. DUTCH ALSO OBSERVED THAT PANA'S USE OF EXISTING BANKING RATES, RATHER THAN IATA EXCHANGE RATE, CAUSES BUDGETFARE EX-NETHERLANDS TO BE LOWER RELATIVE TO OTHER WESTBOUND FARES THAN THEFARE EX-US IS RELATIVE TO OTHER EASTBOUND FARES. THIS MADE THE FARE MORE DISRUPTIVE X NETHERLANDS-ORIGIN MARKET THAN OF US-ORIGIN MARKET. LITTLE EFFORT MADE TO FIO THIS ARGUMENT INTO ARTICLE 6(A) FRAMEWORK.

5. THE DUTCH INDICATED THEY WOULD NOT OBJECT TO EX-NETHERLANDS BUDGET FARE IF IT HAD THE SAME RELATIONSHIP TO THEOTHER WESTBOUND FARES THAT THE EX-US BUDGET FARE HAS TO THE OTHER EX-US FARES.
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